

Q How much interest will my DROP accrual earn?

A The interest rate will be fixed at the end of each fiscal year (June 30) and will equal the total rate of return for the trust fund. Interest rates for any part of the current fiscal year will be based on the previous fiscal year's total rate of return. If the rate of return is negative, then you will earn 0% interest for the following year.

Q Does my DROP accrual receive guaranteed annual benefit adjustments (GABA) while I am working?

A Yes, if you chose to receive the GABA, the DROP accrual will receive the GABA increases while you participate in the DROP. Otherwise, you will receive the minimum benefit increases which you are eligible for.

If you continue to work after the DROP period, you will not receive any increases to your DROP accrual as you will not be receiving a monthly retirement benefit.

Q Are there any disadvantages to the DROP?

A There are some potential disadvantages.

DROP participation makes you **ineligible** for:

- disability retirement
- purchasing service
- service credit
- a refund

You should also be aware that:

1. Your retirement benefit is based on your highest compensation **prior** to the start of the DROP period; and
2. There are tax implications if you receive the DROP accrual as a lump sum at the end of the DROP period.

Q How will my retirement benefit be paid and my DROP benefit be distributed when my DROP period ends?

A When your DROP period ends and MPORS-covered employment is terminated, you will begin receiving your MPORS monthly retirement benefit payment and your DROP benefit will be distributed. You will receive your DROP benefit as a lump sum or a direct rollover to another eligible retirement plan as allowed by the IRS. If you do not designate a distribution method within 60 days after termination of employment, the DROP benefit will be paid in a lump sum. Required federal and state withholding will reduce any lump-sum payment.

Q Can the rights to all or a portion of my DROP benefit be distributed as part of a dissolution of marriage settlement?

A A Family Law Order may distribute all or a portion of a participant's DROP benefit to an alternate payee, usually an ex-spouse. To distribute any portion of your DROP benefit to an alternate payee, the FLO must specifically address the DROP benefit. A FLO approved prior to the enactment of the DROP legislation, May 1, 2001, must be amended if it is to address the DROP benefit.

This is an official publication of the Montana Public Employee Retirement Administration (MPERA). If you have questions not answered in this publication, we invite you to write, or call.



MPERA
PO Box 200131
Helena MT 59620-0131

Phone: 406-444-3154
Toll free: 1-877-275-7372
E-mail: mpera@state.mt.us
Fax: 406-444-5428

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750 copies of this public document were published at an estimated cost of 32.8 cents per copy, for a total cost of \$245.85 for printing and \$00 for distribution.

Municipal Police Officers' Retirement System

DEFERRED RETIREMENT OPTION PLAN

June 2003

Montana Public Employee
Retirement Administration

The Deferred Retirement Option Plan (DROP) provides eligible active members of the Municipal Police Officers' Retirement System (MPORS) an alternative method for payment of benefits. Participation in the DROP is optional, however, it cannot be terminated or changed once you choose to participate. This publication will answer some of your questions regarding the DROP.

Q What is the DROP?

A The DROP allows active MPORS members to begin accumulating their retirement benefit, without terminating employment, for up to 60 months from the effective date of the DROP period. While participating in the DROP, your monthly retirement benefits remain in the MPORS trust fund, on a tax-deferred basis. This is your DROP accrual. Your DROP accrual will continue to grow while you continue to work and receive your regular pay. You and your employer will continue to pay the regular contributions to the MPORS while you participate in the DROP, however, you will not earn additional membership service or service credit. Once you terminate employment, you will receive your monthly retirement benefit payment. You will also need to decide if you want to receive the DROP benefit as a lump sum, or roll it into another eligible retirement plan as allowed by the IRS.

Q Who is eligible to participate in the DROP?

A You may participate in the DROP if you are an active member of the MPORS with at least 20 years of membership service.

Q How do I apply for the DROP?

A You must send a DROP information request to the Montana Public Employee Retirement Administration (MPERA). The information request must include your:

- Full name
- Social Security number
- Mailing address
- Date of birth
- Anticipated date to start the DROP

MPERA will send you the DROP estimates and a DROP application. The completed DROP application must be filed with the MPERA at least two weeks before the first day of the month you want to start the DROP.

Q What is the DROP period?

A The DROP period is the number of months you participate in the plan. It may be from one month up to a maximum of 60 months (five years). The DROP period must begin on the first day of a month and end on the last day of a month. You must provide a beginning date and end date on your DROP application.

Q What happens if my employment is terminated before the end of the DROP period?

A If your MPORS-covered employment is terminated during the DROP period, your DROP benefit will be distributed as you direct and payment of your monthly service retirement benefit will begin. The DROP period ends on the last day of the last full month of active service.

Q What happens if I die while participating in the DROP?

A Your surviving spouse or dependent children are entitled to your DROP benefit. Your surviving spouse or dependent children are also entitled to your monthly retirement benefit. If you do not have a surviving spouse or dependent children, then your designated beneficiary may receive the balance of your retirement account and a lump-sum payment of the DROP benefit.

Q What happens if I become disabled during the DROP period?

A You will not be eligible for MPORS disability benefits. If you must terminate your service, your service retirement benefit will be paid to you rather than as a monthly DROP accrual. You will also be eligible to receive your DROP benefit.

Q What if I decide to continue working following the DROP period?

A You may continue to work after the DROP period ends, but you will be considered newly hired. You will not receive your service retirement benefit or your DROP monthly accrual during the time you continue to work. The balance of your DROP accrual will continue to earn interest at the same rate as the trust fund. Also, you will earn an additional retirement benefit based on your final average compensation and service credit earned after DROP participation.